
SUBSTITUTE SENATE BILL 5311

State of Washington

60th Legislature

2007 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Brown, Zarelli, Prentice, Marr, Tom, McAuliffe and Kilmer; by request of Governor Gregoire)

READ FIRST TIME 02/08/07.

1 AN ACT Relating to a budget stabilization account; amending RCW
2 43.135.035; reenacting and amending RCW 43.84.092 and 43.135.045;
3 adding new sections to chapter 43.79 RCW; adding a new section to
4 chapter 82.33 RCW; creating a new section; repealing RCW 43.33A.220 and
5 43.135.051; providing a contingent effective date; and declaring an
6 emergency.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.79 RCW
9 to read as follows:

10 The budget stabilization account shall be established and
11 maintained in the state treasury. Moneys in the fund may be spent only
12 after appropriation.

13 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.79 RCW
14 to read as follows:

15 (1) The budget stabilization account is governed by the provisions
16 in Article VII, section . . . (Senate Joint Resolution No. 8206) and
17 this section.

1 (2) By June 30th of each fiscal year, the state treasurer shall
2 transfer an amount equal to one percent of the general state revenues
3 for that fiscal year to the budget stabilization account.

4 (3) The state investment board has the full power to invest,
5 reinvest, manage, contract, sell, or exchange investment moneys in the
6 budget stabilization account. All investment and operating costs
7 associated with the investment of money shall be paid pursuant to RCW
8 43.33A.160 and 43.84.160. With the exception of these expenses, the
9 earnings from the investment of the money shall be retained by the
10 account. All investments made by the state investment board shall be
11 made with the exercise of that degree of judgment and care pursuant to
12 RCW 43.33A.140 and the investment policies established by the state
13 investment board. As deemed appropriate by the state investment board,
14 moneys in the account may be commingled for investment with other funds
15 subject to investment by the board.

16 (4) When the balance in the budget stabilization account, including
17 investment earnings, equals more than ten percent of the estimated
18 general state revenues in the fiscal year, the state treasurer shall
19 deposit the balance into the education construction fund, to the extent
20 the balance exceeds ten percent of the estimated general state
21 revenues. For the purposes of this section, the treasurer shall
22 transfer funds on June 30th of each fiscal year, if the balance exceeds
23 ten percent of the estimated general state revenues on June 30th of
24 that fiscal year.

25 (5) For the purposes of Article VII, section . . . (Senate Joint
26 Resolution No. 8206), this section, and section 3 of this act, the
27 state employment growth forecast shall be based on the total nonfarm
28 payroll employment data series.

29 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.33 RCW
30 to read as follows:

31 The state economic and revenue forecast council shall perform the
32 state employment growth forecast and general state revenue estimates
33 required by Article VII, section . . . (Senate Joint Resolution No.
34 8206).

35 **Sec. 4.** RCW 43.84.092 and 2006 c 337 s 11, 2006 c 311 s 23, 2006

1 c 171 s 10, 2006 c 56 s 10, and 2006 c 6 s 8 are each reenacted and
2 amended to read as follows:

3 (1) All earnings of investments of surplus balances in the state
4 treasury shall be deposited to the treasury income account, which
5 account is hereby established in the state treasury.

6 (2) The treasury income account shall be utilized to pay or receive
7 funds associated with federal programs as required by the federal cash
8 management improvement act of 1990. The treasury income account is
9 subject in all respects to chapter 43.88 RCW, but no appropriation is
10 required for refunds or allocations of interest earnings required by
11 the cash management improvement act. Refunds of interest to the
12 federal treasury required under the cash management improvement act
13 fall under RCW 43.88.180 and shall not require appropriation. The
14 office of financial management shall determine the amounts due to or
15 from the federal government pursuant to the cash management improvement
16 act. The office of financial management may direct transfers of funds
17 between accounts as deemed necessary to implement the provisions of the
18 cash management improvement act, and this subsection. Refunds or
19 allocations shall occur prior to the distributions of earnings set
20 forth in subsection (4) of this section.

21 (3) Except for the provisions of RCW 43.84.160, the treasury income
22 account may be utilized for the payment of purchased banking services
23 on behalf of treasury funds including, but not limited to, depository,
24 safekeeping, and disbursement functions for the state treasury and
25 affected state agencies. The treasury income account is subject in all
26 respects to chapter 43.88 RCW, but no appropriation is required for
27 payments to financial institutions. Payments shall occur prior to
28 distribution of earnings set forth in subsection (4) of this section.

29 (4) Monthly, the state treasurer shall distribute the earnings
30 credited to the treasury income account. The state treasurer shall
31 credit the general fund with all the earnings credited to the treasury
32 income account except:

33 (a) The following accounts and funds shall receive their
34 proportionate share of earnings based upon each account's and fund's
35 average daily balance for the period: The budget stabilization
36 account, the capitol building construction account, the Cedar River
37 channel construction and operation account, the Central Washington
38 University capital projects account, the charitable, educational, penal

1 and reformatory institutions account, the Columbia river basin water
2 supply development account, the common school construction fund, the
3 county criminal justice assistance account, the county sales and use
4 tax equalization account, the data processing building construction
5 account, the deferred compensation administrative account, the deferred
6 compensation principal account, the department of retirement systems
7 expense account, the developmental disabilities community trust
8 account, the drinking water assistance account, the drinking water
9 assistance administrative account, the drinking water assistance
10 repayment account, the Eastern Washington University capital projects
11 account, the education construction fund, the education legacy trust
12 account, the election account, (~~the emergency reserve fund,~~) the
13 energy freedom account, The Evergreen State College capital projects
14 account, the federal forest revolving account, the freight mobility
15 investment account, the freight mobility multimodal account, the health
16 services account, the public health services account, the health system
17 capacity account, the personal health services account, the state
18 higher education construction account, the higher education
19 construction account, the highway infrastructure account, the high-
20 occupancy toll lanes operations account, the industrial insurance
21 premium refund account, the judges' retirement account, the judicial
22 retirement administrative account, the judicial retirement principal
23 account, the local leasehold excise tax account, the local real estate
24 excise tax account, the local sales and use tax account, the medical
25 aid account, the mobile home park relocation fund, the multimodal
26 transportation account, the municipal criminal justice assistance
27 account, the municipal sales and use tax equalization account, the
28 natural resources deposit account, the oyster reserve land account, the
29 pension funding stabilization account, the perpetual surveillance and
30 maintenance account, the public employees' retirement system plan 1
31 account, the public employees' retirement system combined plan 2 and
32 plan 3 account, the public facilities construction loan revolving
33 account beginning July 1, 2004, the public health supplemental account,
34 the public works assistance account, the Puyallup tribal settlement
35 account, the real estate appraiser commission account, the regional
36 mobility grant program account, the resource management cost account,
37 the rural Washington loan fund, the site closure account, the small
38 city pavement and sidewalk account, the special wildlife account, the

1 state employees' insurance account, the state employees' insurance
2 reserve account, the state investment board expense account, the state
3 investment board commingled trust fund accounts, the supplemental
4 pension account, the Tacoma Narrows toll bridge account, the teachers'
5 retirement system plan 1 account, the teachers' retirement system
6 combined plan 2 and plan 3 account, the tobacco prevention and control
7 account, the tobacco settlement account, the transportation
8 infrastructure account, the transportation partnership account, the
9 tuition recovery trust fund, the University of Washington bond
10 retirement fund, the University of Washington building account, the
11 volunteer fire fighters' and reserve officers' relief and pension
12 principal fund, the volunteer fire fighters' and reserve officers'
13 administrative fund, the Washington fruit express account, the
14 Washington judicial retirement system account, the Washington law
15 enforcement officers' and fire fighters' system plan 1 retirement
16 account, the Washington law enforcement officers' and fire fighters'
17 system plan 2 retirement account, the Washington public safety
18 employees' plan 2 retirement account, the Washington school employees'
19 retirement system combined plan 2 and 3 account, the Washington state
20 health insurance pool account, the Washington state patrol retirement
21 account, the Washington State University building account, the
22 Washington State University bond retirement fund, the water pollution
23 control revolving fund, and the Western Washington University capital
24 projects account. Earnings derived from investing balances of the
25 agricultural permanent fund, the normal school permanent fund, the
26 permanent common school fund, the scientific permanent fund, and the
27 state university permanent fund shall be allocated to their respective
28 beneficiary accounts. All earnings to be distributed under this
29 subsection (4)(a) shall first be reduced by the allocation to the state
30 treasurer's service fund pursuant to RCW 43.08.190.

31 (b) The following accounts and funds shall receive eighty percent
32 of their proportionate share of earnings based upon each account's or
33 fund's average daily balance for the period: The aeronautics account,
34 the aircraft search and rescue account, the county arterial
35 preservation account, the department of licensing services account, the
36 essential rail assistance account, the ferry bond retirement fund, the
37 grade crossing protective fund, the high capacity transportation
38 account, the highway bond retirement fund, the highway safety account,

1 the motor vehicle fund, the motorcycle safety education account, the
2 pilotage account, the public transportation systems account, the Puget
3 Sound capital construction account, the Puget Sound ferry operations
4 account, the recreational vehicle account, the rural arterial trust
5 account, the safety and education account, the special category C
6 account, the state patrol highway account, the transportation 2003
7 account (nickel account), the transportation equipment fund, the
8 transportation fund, the transportation improvement account, the
9 transportation improvement board bond retirement account, and the urban
10 arterial trust account.

11 (5) In conformance with Article II, section 37 of the state
12 Constitution, no treasury accounts or funds shall be allocated earnings
13 without the specific affirmative directive of this section.

14 **Sec. 5.** RCW 43.135.045 and 2005 c 518 s 931, 2005 c 314 s 401, and
15 2005 c 76 s 2 are each reenacted and amended to read as follows:

16 (1) ~~((The emergency reserve fund is established in the state
17 treasury. During each fiscal year, the state treasurer shall transfer
18 an amount from the state general fund to the emergency reserve fund.
19 The amount transferred shall equal the amount by which total state
20 revenue for the general fund and related funds exceeds the state
21 expenditure limit, multiplied by the percentage that general fund
22 expenditures are of total expenditures from the general fund and
23 related funds. Transfers shall be made at the end of each fiscal
24 quarter based on projections of state revenues, expenditures, and the
25 state expenditure limit. The treasurer shall make transfers between
26 these accounts as necessary to reconcile actual annual revenues and the
27 expenditure limit for fiscal year 2000 and thereafter.~~

28 ~~(2) The legislature may appropriate moneys from the emergency
29 reserve fund only with approval of at least two thirds of the members
30 of each house of the legislature, and then only if the appropriation
31 does not cause total expenditures to exceed the state expenditure limit
32 under this chapter.~~

33 ~~(3) The emergency reserve fund balance shall not exceed five
34 percent of annual general fund state revenues as projected by the
35 official state revenue forecast. Any balance in excess of five percent
36 shall be transferred on a quarterly basis by the state treasurer as
37 follows: Seventy five percent to)) The student achievement fund is~~

1 hereby created in the state treasury (~~(and twenty five percent to the~~
2 ~~general fund balance. The treasurer shall make transfers between these~~
3 ~~accounts as necessary to reconcile actual annual revenues for fiscal~~
4 ~~year 2000 and thereafter. When per student state funding for the~~
5 ~~maintenance and operation of K-12 education meets a level of no less~~
6 ~~than ninety percent of the national average of total funding from all~~
7 ~~sources per student as determined by the most recent published data~~
8 ~~from the national center for education statistics of the United States~~
9 ~~department of education, as calculated by the office of financial~~
10 ~~management, further deposits to the student achievement fund shall be~~
11 ~~required only to the extent necessary to maintain the ninety percent~~
12 ~~level. Remaining funds are part of the general fund balance and these~~
13 ~~funds are subject to the expenditure limits of this chapter)).~~

14 ~~((+4))~~ (2) The education construction fund is hereby created in
15 the state treasury.

16 (a) Funds may be appropriated from the education construction fund
17 exclusively for common school construction or higher education
18 construction.

19 (b) Funds may be appropriated for any other purpose only if
20 approved by a two-thirds vote of each house of the legislature and if
21 approved by a vote of the people at the next general election. An
22 appropriation approved by the people under this subsection shall result
23 in an adjustment to the state expenditure limit only for the fiscal
24 period for which the appropriation is made and shall not affect any
25 subsequent fiscal period.

26 ~~((+5))~~ (3) Funds from the student achievement fund shall be
27 appropriated to the superintendent of public instruction strictly for
28 distribution to school districts to meet the provisions set out in the
29 student achievement act. Allocations shall be made on an equal per
30 full-time equivalent student basis to each school district.

31 **Sec. 6.** RCW 43.135.035 and 2005 c 72 s 5 are each amended to read
32 as follows:

33 (1) After July 1, 1995, any action or combination of actions by the
34 legislature that raises state revenue or requires revenue-neutral tax
35 shifts may be taken only if approved by a two-thirds vote of each
36 house, and then only if state expenditures in any fiscal year,

1 including the new revenue, will not exceed the state expenditure limits
2 established under this chapter.

3 (2)(a) If the legislative action under subsection (1) of this
4 section will result in expenditures in excess of the state expenditure
5 limit, then the action of the legislature shall not take effect until
6 approved by a vote of the people at a November general election. The
7 state expenditure limit committee shall adjust the state expenditure
8 limit by the amount of additional revenue approved by the voters under
9 this section. This adjustment shall not exceed the amount of revenue
10 generated by the legislative action during the first full fiscal year
11 in which it is in effect. The state expenditure limit shall be
12 adjusted downward upon expiration or repeal of the legislative action.

13 (b) The ballot title for any vote of the people required under this
14 section shall be substantially as follows:

15 "Shall taxes be imposed on in order to allow a
16 spending increase above last year's authorized spending adjusted for
17 personal income growth?"

18 (3)(a) The state expenditure limit may be exceeded upon declaration
19 of an emergency for a period not to exceed twenty-four months by a law
20 approved by a two-thirds vote of each house of the legislature and
21 signed by the governor. The law shall set forth the nature of the
22 emergency, which is limited to natural disasters that require immediate
23 government action to alleviate human suffering and provide humanitarian
24 assistance. The state expenditure limit may be exceeded for no more
25 than twenty-four months following the declaration of the emergency and
26 only for the purposes contained in the emergency declaration.

27 (b) Additional taxes required for an emergency under this section
28 may be imposed only until thirty days following the next general
29 election, unless an extension is approved at that general election.
30 The additional taxes shall expire upon expiration of the declaration of
31 emergency. The legislature shall not impose additional taxes for
32 emergency purposes under this subsection unless funds in the education
33 construction fund have been exhausted.

34 (c) The state or any political subdivision of the state shall not
35 impose any tax on intangible property listed in RCW 84.36.070 as that
36 statute exists on January 1, 1993.

37 (4) If the cost of any state program or function is shifted from
38 the state general fund or a related fund to another source of funding,

1 or if moneys are transferred from the state general fund or a related
2 fund to another fund or account, the state expenditure limit committee,
3 acting pursuant to RCW 43.135.025(5), shall lower the state expenditure
4 limit to reflect the shift. For the purposes of this section, a
5 transfer of money from the state general fund or a related fund to
6 another fund or account includes any state legislative action taken
7 that has the effect of reducing revenues from a particular source,
8 where such revenues would otherwise be deposited into the state general
9 fund or a related fund, while increasing the revenues from that
10 particular source to another state or local government account. This
11 subsection does not apply to: (a) The dedication or use of lottery
12 revenues under RCW 67.70.240(3) or property taxes under RCW 84.52.068,
13 in support of education or education expenditures; or (b) a transfer of
14 moneys to, or an expenditure from, the budget stabilization account.

15 (5) If the cost of any state program or function and the ongoing
16 revenue necessary to fund the program or function are shifted to the
17 state general fund or a related fund on or after January 1, 2007, the
18 state expenditure limit committee, acting pursuant to RCW
19 43.135.025(5), shall increase the state expenditure limit to reflect
20 the shift.

21 NEW SECTION. Sec. 7. On the effective date of this section, the
22 state treasurer shall transfer all money remaining in the emergency
23 reserve fund to the budget stabilization account.

24 NEW SECTION. Sec. 8. The following acts or parts of acts are each
25 repealed:

26 (1) RCW 43.33A.220 (Emergency reserve fund--Board's duties) and
27 1999 c 288 s 2; and

28 (2) RCW 43.135.051 (Emergency reserve fund--State investment board
29 authority to invest or manage) and 1999 c 288 s 1.

30 NEW SECTION. Sec. 9. Section 1 of this act is necessary for the
31 immediate preservation of the public peace, health, or safety, or
32 support of the state government and its existing public institutions,
33 and takes effect immediately.

1 NEW SECTION. **Sec. 10.** Sections 2 through 8 of this act take
2 effect July 1, 2008, if the proposed amendment to Article VII of the
3 state Constitution (Senate Joint Resolution No. 8206) is validly
4 submitted to and is approved and ratified by the voters at a general
5 election held in November 2007. If the proposed amendment is not
6 approved and ratified, sections 2 through 8 of this act are void in
7 their entirety.

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